

Message Text

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ACTION EUR-12

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E. O. 11652: N/A
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SUBJECT: REVISED FRG STRATEGIC PETROLEUM RESERVE LAW
GOES INTO EFFECT

REF: BONN 1145

1. THE FRG HAS TAKEN A FURTHER STEP IN IMPLEMENTING
ITS ENERGY PLAN (REPORTED REFTTEL) BY ENACTING A REVISED
STRATEGIC PETROLEUM RESERVE LAW, WHICH TOOK EFFECT ON
AUGUST 1. THE LAW CREATES A QUASI-PUBLIC CORPORATION,
EBV, (ERDOELBEVORRATUNGSVERBAND) WHICH WILL TAKE OVER
OIL STORES EQUIVALENT TO 65 DAYS CONSUMPTION
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PRESENTLY HELD BY GERMANY OIL PRODUCERS AND PROCESSORS.
THE EBV WILL TAKE TITLE TO THE OIL AS OF DECEMBER 1
FOLLOWING PURCHASE OF THE STOCKS FROM THE INDIVIDUAL
COMPANIES. ESTIMATED COST OF THE TAKEOVER IS DM 4
BILLION, WHICH THE CORPORATION PLANS TO RAISE ON THE
PRIVATE CAPITAL MARKET THROUGH ISSUANCE OF BONDS.

2. UP TO NOW OIL COMPANIES WERE REQUIRED BY THE GOVERNMENT TO HOLD STOCKS OF OIL AND OIL PRODUCTS EQUIVALENT TO 90 DAYS CONSUMPTION. THE NEW LAW REDUCES THIS TO A 25 DAY PERIOD, WHICH IS CONSIDERED TO BE THE NORMAL LEVEL FOR WORKING STOCKS. THE OIL COMPANIES HAVE LONG FAVORED SUCH A CHANGE, FOR TWO REASONS: THEY HAD LARGE AMOUNTS OF CAPITAL TIED UP IN THE STOCKS AND THE ECONOMIC EFFECTS ON CERTAIN COMPANIES WERE MORE SEVERE ON SOME FIRMS THAN ON OTHERS, E.G. DOMESTIC PRODUCERS OF LOWER COST OIL WERE BETTER OFF THAN FIRMS DEPENDENT ON HIGH PRICED IMPORTS. UNDER THE NEW LAW ALL PRODUCERS AND PROCESSORS PLUS INDEPENDENT TRADERS (WHO HAD BEEN PREVIOUSLY EXCLUDED FROM COMPULSORY STORAGE REQUIREMENTS) ARE REQUIRED TO BECOME MEMBERS OF THE EBV AND TO CONTRIBUTE TO THE OPERATING COSTS ROUGHLY ACCORDING TO MARKET SHARE. THESE COSTS WILL BE PASSED BACK ONTO CONSUMERS AT A RATE OF BETWEEN 0.5 AND 1 PFENNIG PER LITER.

3. TO THE EXTENT POSSIBLE, PHYSICAL STORAGE OF THE OIL RESERVE WILL BE SPREAD AROUND THROUGHOUT THE COUNTRY IN ORDER TO MAXIMIZE READY AVAILABILITY IN AN EMERGENCY SITUATION; IN ADDITION, NATURAL CAVERNS FOR STORAGE WILL BE USED AS MUCH AS POSSIBLE.
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